Chilton's

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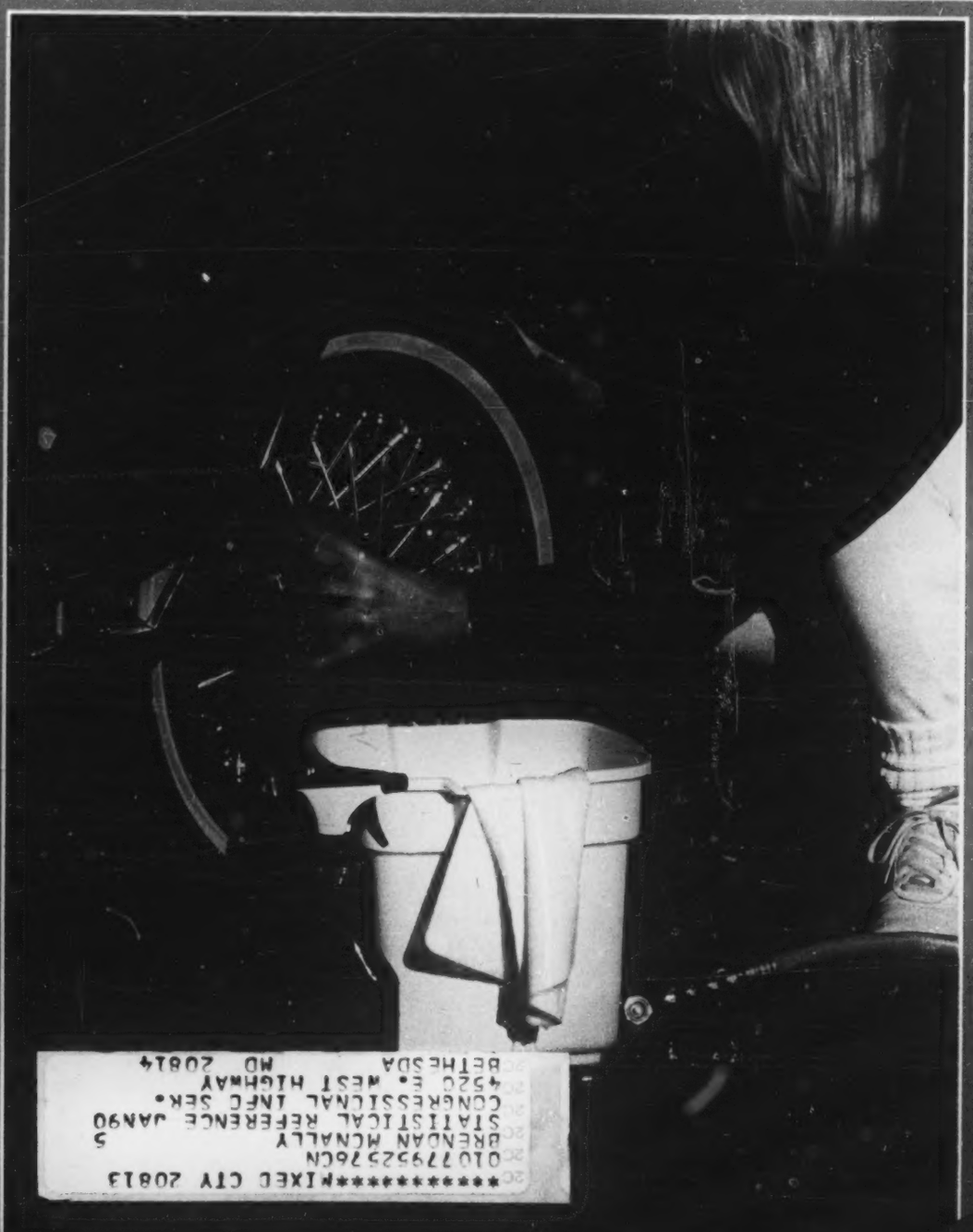
The Marketing/Business Magazine For The Retail Aftermarket

FEBRUARY 1989



THE RITES OF SPRING:

How Retailers Can Take Advantage Of These Annual DIY Rituals

Service Bay Management: What You Should Be Telling Your Customers

Retail Management: How Companies Change Ownership

IASI (Big "I") Show Preview

Merchandise Ideabook

Chilton's
AUTOMOTIVE MARKETING

a Chilton publication

February Issue Volume 18, Number 2

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CHILTON COMPANY,
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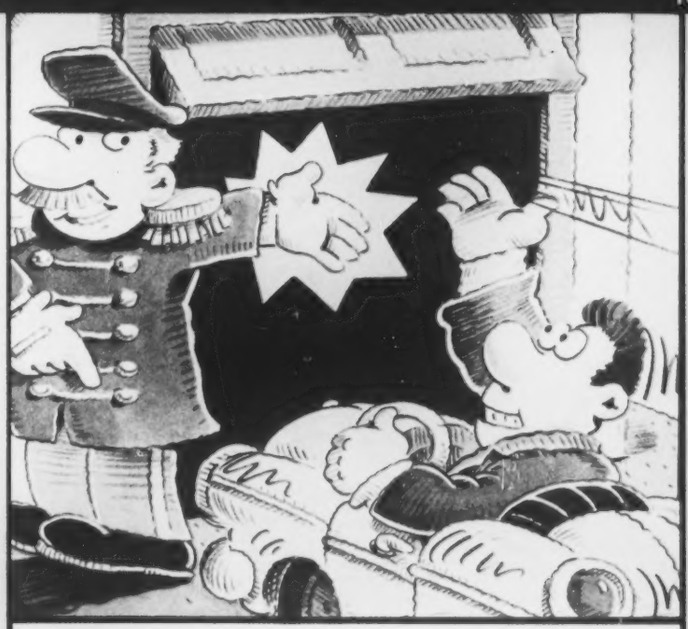
AUTOMOTIVE MARKETING - ISSN 0193-3264. Published 13 times a year by Chilton Co., Chilton Way, Radnor, PA 19089. Chilton Co. is a division of American Broadcasting Companies Inc., New York, NY. Subscription prices (payable in advance) in the United States and U.S. possessions, $36 a year; Canada, $70 a year; Foreign, $70 a year. Single copies $3.50 each ($50 for the 13th issue) when available, U.S. only. SECOND CLASS postage paid at Wayne, PA 19087 and additional mailing offices. Postmaster, send Form 3579 to AUTOMOTIVE MARKETING, POB 2075, Radnor, PA 19089.



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Celebrate The Rites Of Spring 40
The products of the Spring/Summer selling season may be familiar, but they never cease to draw a crowd to your store. The annual Spring rite of fixing up the car brings the customers back again and again.

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PUBLISHER'S NOTES

MAKING THE SALES

A surprising number came up in Senior News & Feature Editor John Wirebach's year-end report on chains with 100-plus stores. Between June 1987, when we first published our *AM* list of the Top 100 Retailers, and December 31, 1988, the net gain among these 12 megachains is 974 stores. Read his story in Market Line to learn about how the larger are getting larger.

Every one of those stores, and stores in smaller chains, have large promotional budgets for the approaching Spring selling season. Editor-in-Chief Rosemarie Kitchin's story tells how retailers view this season when DIYers preform "Rites Of Spring" and for some specific information about certain, sure-to-be-hot products.

Customers seeking service from your bays are often confused, or disappointed, but not with the service to their vehicles get. Read Contributing Editor David Evans' piece for Service Bay Managers to find out why.

There's still a lot of ownership change activity in our industry. Our Touche Ross consultant, Craig H. Barker, tells us how these deals are done.

There's a lot to do to get ready for a profitable Spring, including reading about new products and programs in our Merchandise Ideabook. And, as always, let us hear from you! ■

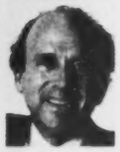
Sarah Frankson
Publisher

DETAILING THE MARKET

IN-STORE FOCUS

AutoZone
Headquarters: 3030 Poplar Ave., Memphis, TN 38111, (901) 325-4600
Stores: 460
Total Corp. Sales: $440,000,000
Average SKUs: 9,000
Founded: 1979

Formanek


Hyde

Founded on the 4th of July in 1979, this phenomenally successful business has its own pledge of purpose. It's recited whenever there's a company meeting or a get-together. It's displayed in the offices, in the distribution centers and in the stores. It goes like this: "AutoZoners always put customers first.
We know our parts and products.
Our stores look great.
We've got the best merchandise at the right price."

It doesn't sound all that unusual, but it's part of a merchandising philosophy that has allowed this chain to grow.

The lawsuit that resulted in the chain's name change from Auto Shack to AutoZone didn't even make a ripple in the stores' profits or image.

"We had outgrown the word 'Shack' anyway," president Peter Formanek said. "We are very happy with the change; our people are very enthusiastic about it." As proof of this attitude, chairman J.R. (Joe) Hyde III said, "Our people named themselves Auto Shackers. Now they just naturally did it again, now they call themselves AutoZoners. This came right from the people in the stores."

"Our name is the only change," Formanek said. "Customers will see no change whatever in our commitment to customer satisfaction, our high quality merchandise or our consistently low prices. And we are honoring our lifetime warranty on any parts purchased before our name change."

This is not just empty rhetoric. The company is single-minded in its commitment to success, and the bottom-line profits reflect this commitment.

"We are a company that is successful and intends to remain successful," Hyde said. "We are not cavalier about where we put our stores. Our business is geared primarily to the DIYer who works on his car. That is our major customer. So we try to locate our stores where it's convenient for that customer."

Stores are open seven days a week, but hours vary according to location. "There are stores that are open to midnight because the customers need us to be there," Hyde said.

AutoZone operates in 16 states: Alabama, Arizona, Arkansas, Florida, Georgia, Illinois, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, North and South Carolina, Tennessee, Texas, and its newest market area, Oklahoma. There are four distribution centers, in Memphis, TN, Phoenix, Greenville, SC, and San Antonio, TX. In addition, there is an "Express Parts" distribution center in Memphis.

The Express Parts center operates on the "just-in-time" concept. Through this center, a store can get a part to a customer either in 48 hours or overnight. If the company's own fleet of trucks can't make the delivery that fast, air service is used. Stores are regularly stocked from the regular distribution centers. But, Hyde said, the Express Parts center is an extension of the stores' regular inventory so that a customer is always satisfied. It apparently works. AutoZone claims it had some 40,000,000 customers in 1987, and another50,000,000 in 1988.

The Express Parts Center also fulfills consumer phone orders from the Nashville Network's "Auto Specialty Magazine."

The typical Autozone store is 5,400 sq. ft. The smallest are 4,000 sq. ft.; the largest are 10,000 sq. ft. superstores. The company's current mix has about 40% superstores.

Layouts vary. Many of the stores are being remodeled to pull the hard parts counter toward the front. And, AutoZone is currently trying a split counter for its hard parts coverage in its superstores.

"It's more comfortable, easier and more interesting to service customers this way," one AutoZone store manager said.

"We feel that we are trend setters in our stores' looks, in their cleanliness, and orderliness," Formanek said. The stores are colorful, with graphics in black, red, and orange.

"We feel our stores are upbeat and extremely contemporary," Hyde said. "We changed the image of a parts store in 1979. We took it out of a parts alley and we dressed it up."

The product mix centers on the hard parts inventory; everything from engines to water pumps. There're also lots of pick-up truck accessories and a full line of chemicals and appearance and dress-up items. AutoZone carries a relatively stable mix of branded motor oil in its stores, but caters to specific regional preferences in some areas.

"We know what brands customers in certain areas tend to like and that's what we carry," Formanek said. "We concentrate on providing the favorite brands of the customers in any given particular area. One of our commitments is not to be undersold. We watch our competition to make sure our customers have the best price every day, not just sometimes."

Another customer draw is the firm's warranty policy on 42,000 parts. The Durastast private label generally carries a lifetime warranty. The Valucraft line carries a shorter warranty and a lower price point.

In February 1987, AutoZone became a separate entity from its parent and founding company, Malone & Hyde. And although the corporate structure is strong, store managers are given an "open door policy," and are free to speak their minds any time.

What's ahead for AutoZone? Here's how Formanek sees it:

"For us, 1989 is a milestone year," he said. "It's our tenth anniversary; stores will pass the 500 mark; sales will pass the half-billion dollar mark; and it's going to be an exciting year."

DETAIL

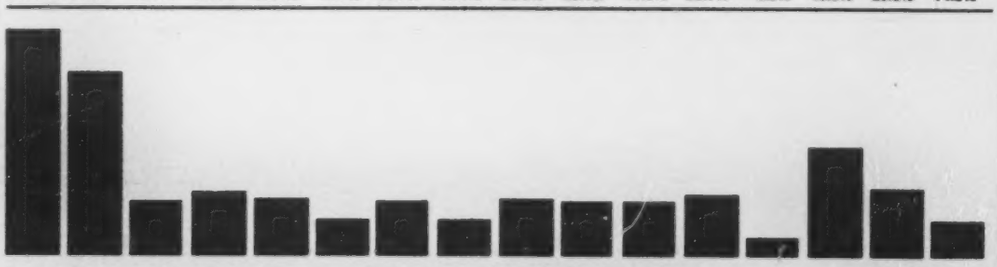
71%

of working Americans spend an average of more than one hour and 16 minutes commuting by car daily, acording to the Automotive Information Council.

PROFILE: SPRAY PAINT

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who purchased and installed spray paint during the previous 12 months.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+ 40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	80.8%	19.3%	27.9%	25.1%	13.7%	18.7%	13.9%	25.2%	20.1%	17.9%	28.7%	6.8%	48.0%	29.6%	14.8%



(Circle 11 on Product Information Card) ⟶

MARKET LINE

1988: List Of Megachains Grows, 974 New Stores Are Added

You might call 1988 a year when the big got bigger. Every one of the 12 auto parts chains we call megachains (chains with more than 100 stores) grew in size, either by swallowing up smaller chains, and/or opening new stores. Between June 1987, when we published our first list of the top 100 retailers, and December 1988, the 12 megachains added 974 stores.

Three megachains – Chief, Western Auto, and Grand – changed owners. Perry Drugs' Auto Works was absorbed by Northern Automotive. OTASCO went bankrupt. In addition, three of the oldest auto chains in the country, R&S Strauss (founded 1919), Guarantee (founded 1898), and Crown (founded 1962), were swallowed up by the megachains. Finally, a California performance chain – Super Shops – reached the 100-store level.

Here's a rundown on all the megachains in 1988:

Western Auto

Measured by number of outlets, Western Auto, Kansas City, is the largest retail chain in the country. It operates 438 company owned stores and supplies 1,526 associate stores from coast to coast. However, the heart of Western is the 300 company stores concentrated in the Midwest, 79 Tire America stores and 55 National Tire Warehouse (NTW) stores acquired in 1987, and four Tire America by Sears stores opened in 1988.

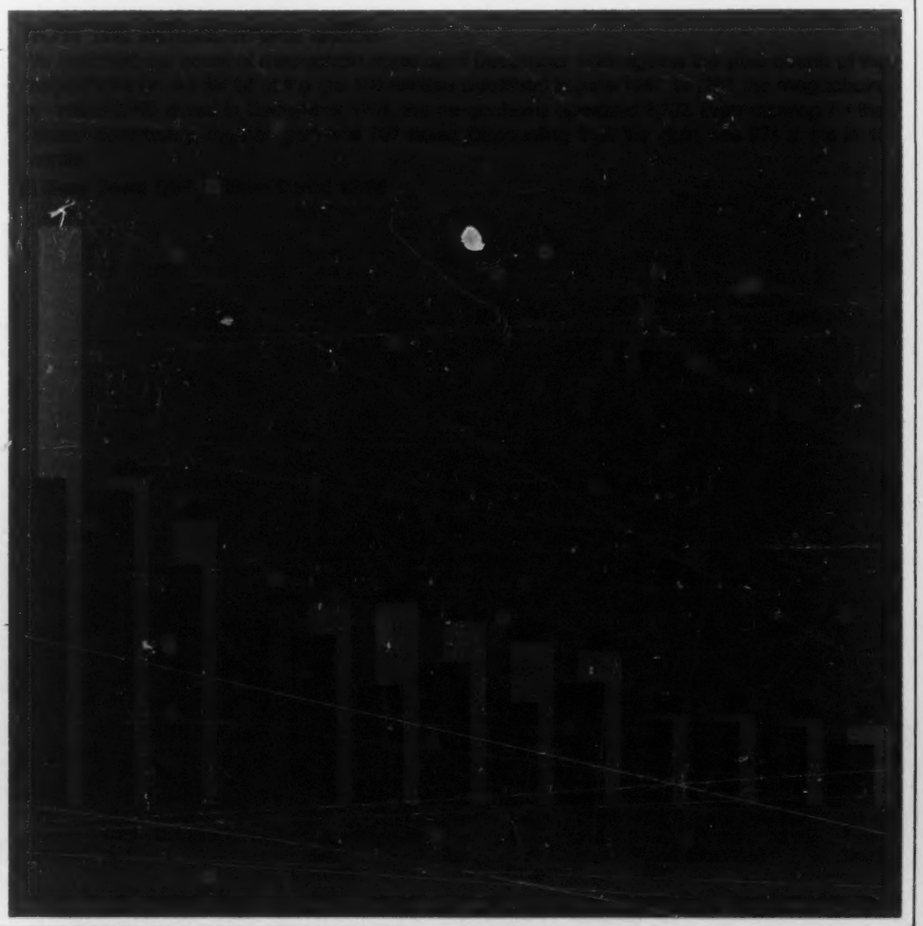
The 300 company stores did $380 million in 1987, more than wholesale sales to the 1,526 remaining associate stores (about $304 million). Western Auto's associate stores have declined from more than 4,500 in the late 1960s. The decline will continue as there are still a lot of Western Auto dealer stores the company would like to eliminate, as Western Auto people will admit off the record. Total Western sales in 1987 were $931 million.

The big news at Western, of course, was its purchase by Sears, Roebuck & Co., Chicago, in March, for $250 million and the assumption of $152 million in debts. We believe it's the largest sale in retail aftermarket history. The two operations will account for some $3 billion in automotive sales. Naturally, there's intense interest in how the two giants will handle the combined business. All sorts of rumors flew in 1988, and 1989 should provide some answers.

One step taken in 1988 separated the tire operations under president John Leach from Western Auto stores. This move has the independent tire people scared to death. As one told us, Sears and Western now account for 15% of total tire distribution, more than any other retail operation.

Besides being a big factor in the retail tire business, Western will gain at the retail parts and service end. Financial help from Sears will aid Western's drive for controlled distribution through its company stores.

With its combination of service, tire sales, and DIY sales, Western Auto is a company to watch carefully in 1989.



MARKET LINE

Northern Automotive

Northern Automotive (567 Checker/Schuck's/Kragen stores, 252 Auto Works stores, 57 Crown stores), Phoenix, AZ, is now the largest combination of stores owned by one company. Its stores cover virtually every metro market west of the Mississippi and around the Great Lakes.

Northern started the year with a flurry of Spring buys, scooping up the 252 Perry Auto Works stores, the eight U-Save stores, and the 57 Crown Auto stores for a little over $60 million.

Settling down to run the combined chain proved more difficult. There were rumors of huge past due accounts and vendor meetings to set payment schedules all year. But, by the end of 1988, Northern claimed to have its vendor payment problems under control.

However, president Dan Siewert quit abruptly in the Fall, and was replaced by John Lacey, a South African like owners Eddie and Julius Trump. Lacey had been operating parent company Northern Pacific's Canadian retail operations will sort out the good from the bad in 1989. As observers point out, both Crown and Auto Works were weak when they were acquired. We estimate combined sales are about $690 million.

The Pep Boys

For sheer productivity, no chain matches The Pep Boys-Manny, Moe, and Jack, Philadelphia. Although there are only 231 Pep Boy stores, the chain did $554 million in 1987 sales and 1988 sales should be about $660 million, close to $3 million a store.

Pep Boys shines with its highly profitable service operation which provides as much as 40-50% of Pep Boys sales. The chain added a vice president of service operations in 1988 to focus on the service operation.

The chain said sales in comparable stores were sluggish in 1988, with only about a 1-2% growth. But new store openings continued at a steady pace. Atlanta plus Austin and San Antonio, TX, were the newest markets expanded by Pep Boys in 1988.

The chain completed the addition of a new POS system during the year and added more branded products to its shelves. As a competitor said, "There's no secret to their success; these guys block and tackle better than anyone else."

Chief And AutoZone

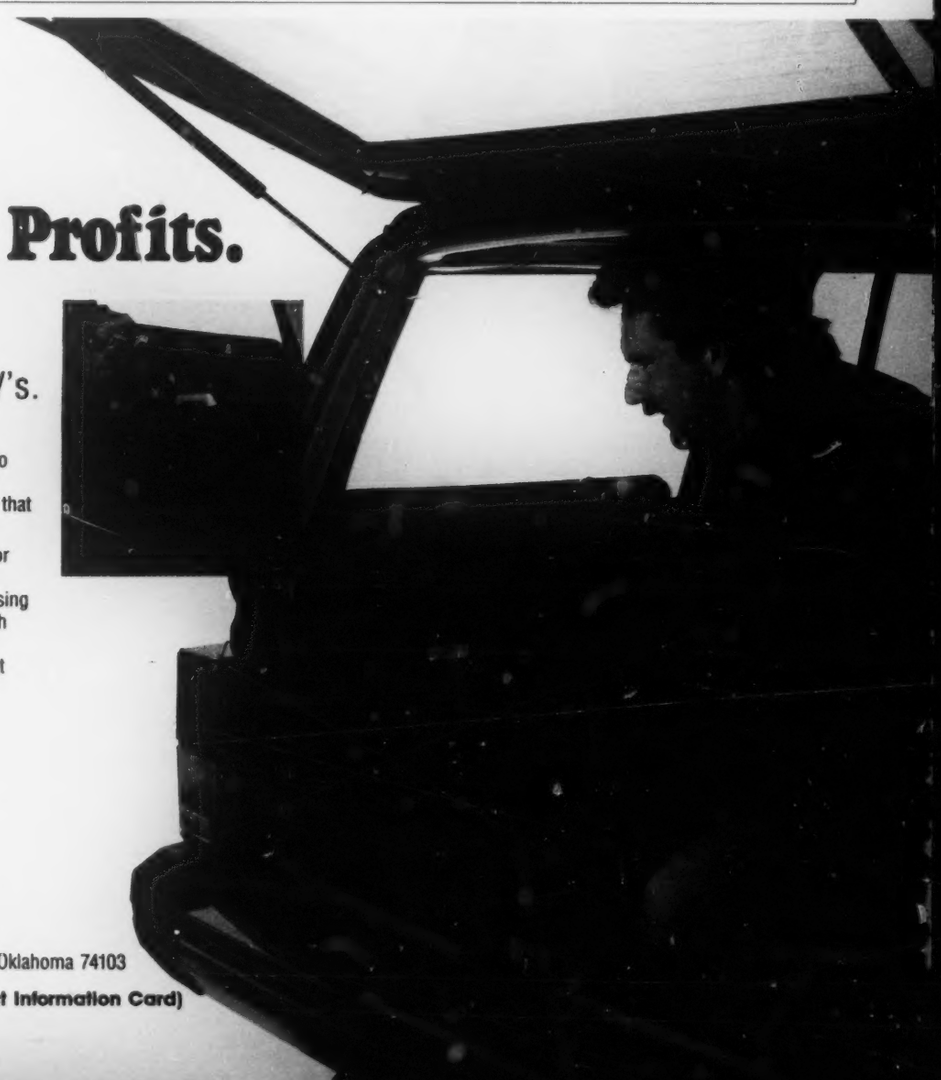
Just below these three giants are two chains that will probably cross the 500 store level in 1989.

Chief Auto (480 stores from California to Texas), Seagoville, TX, completed a $130 million leveraged buy-out from parent Southland in 1988. Reports say the Chief management owns just 14% of the new company, and a key question will be whether the management can pay down its debt quickly enough to satisfy New York financial partner Shearson Lehman Hutton.

The Chief stores were reportedly pursued by both Trak and Ward White; any slowdown in profits and debt service might lean Shearson Lehman Hutton toward a quick sale. We estimate sales at about $290 million.

AutoZone (466 stores), Memphis, TN, is a private company operating in the Sunbelt and Midwest. It is still rumored to be near going public. We'll welcome a prospectus.

AutoZone phased in a new name following the settlement of a suit by Tandy



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Co.'s Radio Shack. The chain also closed what should be a profitable TV deal with the Nashville Network. The chain will take orders and warehouse products displayed on the "Auto Specialty Magazine" show. We estimate AutoZone sales at about $420 million.

THE MEGACHAINS: 1988

The number of megachains remained at 12 in 1988 as Super Shops opened store 100 and CITASCO went bankrupt. However, if you include jobber operations, the Genuine Parts owned NAPA stores (550 stores), Stuarts (165 stores), Fisher Auto Parts (120 stores) and General Parts (more than 100) should all be added to the list. Because store counts vary almost daily among the largest chains, we called each chain at the end of December to get a December 31, 1988 count. The sales estimates are by *Automotive Marketing*.

Chain	Stores (12/31/88)	1988 Sales (Millions)
Northern Automotive	575	$690
Chief Auto	480	$290
AutoZone	468	$420
Western Auto (Company owned only)	368	$410
Nationwise	300	$290
Trak Auto	276	$240
Ward White Group	259	$345
Pep Boys	231	$440
FACCAR	126	$190
Champion Auto	126	$ 60
Advance Auto	125	$ 65
Super Shops	125	$130

Source: *Automotive Marketing*

Nationwise, Trak, And Ward White

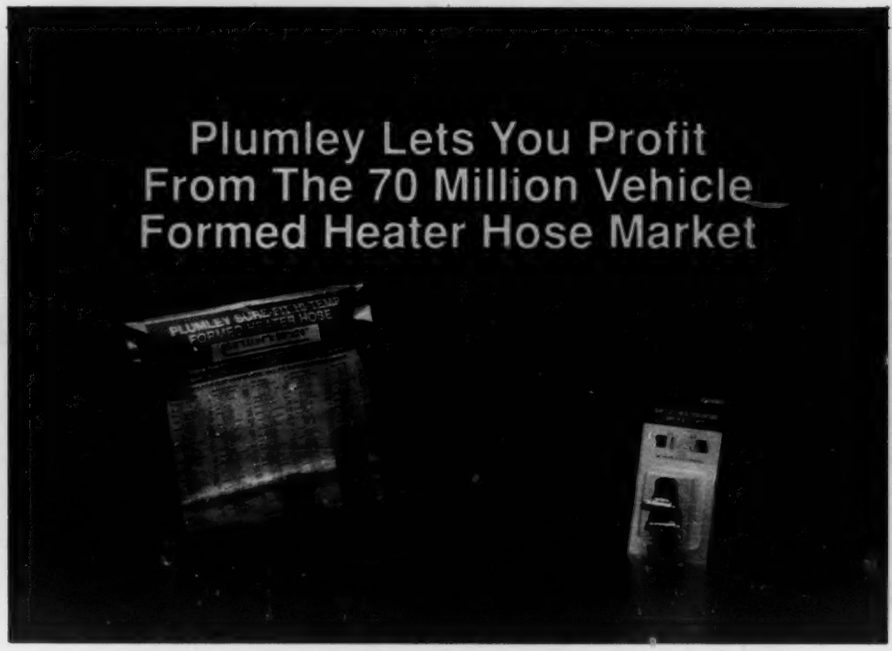
A quiet Midwestern chain, Nationwise, Columbus, OH, bought the Guarantee, Indianapolis, IN, stores in January to bring its store count to about 300. The chain spent 1988 absorbing the Guarantee stores into the Nationwise business, especially the service bays, which were a first for the chain. We estimate Nationwise sales at about $290 million.

Trak Auto (276 stores), Landover, MD, may settle down to be more profitable. Trak told its vendors that profits were down mainly because it was spending capital to refurbish stores and convert its POS systems. Trak claims the Chicago and Los Angeles stores are at last breaking even, while the Washington-Richmond base is profitable.

However, long time president Ben Kovalsky abruptly announced his retirement in December, a move that surprised many. A search is on for an automotive-oriented replacement. The chain is also controlled by the Haft family (The Dart Group), who are not slow to buy and sell stores. Trak sales were $212 million in 1987, and we estimate 1988 will show about $240 million.

Another big gainer in 1988 was the British-owned Ward White Group, Atlanta, GA, (105 Whitlock stores, 74 Rose Auto, and 71 R&S/Strauss stores). Ward White acquired the highly profitable R&S/Strauss chain ($79.5 million sales/ $2.1 million profits) in September for $35.5 million. Combined Ward White/ R&S sales were $235 million in 1987.

Ward White does business as Giant Auto (Chicago), Motormart (New England), National Auto (upstate New York), Strum Auto and Whitlock (the Midwest), all operated out of Chicago. Rose Auto (Florida), Miami, FL, and R&S/Strauss (New York-New Jersey-PA), Union, NJ, are separate operating entities. R&S added the first service bays to the Ward White Group. Ward White will probably buy more chains in 1989; if you're watching for acquisitions, this chain is one to watch.



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MARKET LINE

After 70 years, the $300 million OTASCO, Tulsa, OK, chain filed for Chapter 11 bankruptcy in the Fall after failing to get merchandise credits for the Christmas season.

The chain began 1988 by selling off its wholesale division, Rapid Distribution, to CoastAmerica in an effort to keep afloat. During the year, the chain displayed excellent new prototype stores but could not afford to open more. A steady run of store closings followed. By the time of the bankruptcy, the chain was down to 170 stores. President Jerry Goodman, who led an management leveraged buy-out in 1984, said he hopes to reopen a much smaller OTASCO chain in the Spring.

At the lower end of our megachain list are four chains with varying potentials.

Grand Auto (107 stores mainly in California and Nevada), Oakland, CA, with sales of $172 million in 1987, became part of PACCAR's General Automotive Group, Bellevue, WA, in 1988. PACCAR also owns 29 Al's Auto stores in Washington. Although PACCAR says it plans more buys, it remains to be seen whether a heavy duty truck maker can successfully run an auto chain. We estimate combined sales at about $190 million.

Two chains that continue to grow are Champion Auto, New Hope, MN (136 stores, estimated sales: $60 million), and Advance Auto, Roanoke, VA (135 stores, estimated sales: $65 million).

Champion, under long-time president Bud Rose, is the nation's leading franchiser of auto stores throughout the Midwest. Advance has been opening a new store every two weeks in the Southeast. It plans to double in size by 1991. Advance opened a 185,000 sq. ft. warehouse in 1988 and, as a rep said, "That's a lot more space than you need for 135 stores."

Our newest megachain is Super Shops, Newport Beach, CA. It crossed the 100 store plateau in the Spring of 1988. The chain's success reflects the continous growth of the performance market since it is solely a performance specialist. Working off a deal with Kinney Shoes to take over as many as 100 Kinney locations, at year-end Super Shops operated 125 stores. We estimate sales at $130 million.

Hovering just under the 100 store level are five chains that may soon grow into megachains.

Sure bets for next time are the Ozark/O'Reilly chain (90 stores mainly in Kansas, Arkansas, and Missouri), Springfield, MO, which may make our 100 store cut in 1989, and Aid Auto (85 stores in New York and New Jersey), Inwood, NY, another franchise operation. Hi-Lo Consolidated (75 stores in Texas and Louisiana), Houston, has expanded under new owner Michael Young, who bought the chain in the Fall of 1987, but it suffers from the Texas oil slump.

Rite Aid's ADAP chain (75 New England stores), Avon, MA, had enjoyed eight straight profitable quarters and quick growth, but recently reported losses. ADAP has also lost key personnel. Among those "pursuing other interests" in 1988 were vice president of merchandise Floyd Percy, general manager Frank Corella, CEO Duane Ruble, CEO Roger Grass, vice president operations Don Hettrick, and vice president merchandise Larry Skolnick.

Current heads are general manager John Foster, a numbers cruncher, and director of store operations Don Bishop, both brought over from Rite Aid's drug business.

And finally, Action Auto (66 stores, mainly in Michigan), Flint, MI, has been growing by leaps and bounds with its combination of gasoline sales, service, and DIY sales. It went public in 1987. Modeled on Pep Boys, this is another chain to watch in 1989 ■

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profitable.

The Carquest program (2,300 independent jobbers), Tarrytown, NY, took a real shellacking in 1988. Cardis, its largest warehouse (sales about $240 million) went Chapter 11 in May, Kay Automotive (sales about $33 million) went out of business through bankruptcy in April, and in August, Carquest's New England warehouse, Parts Distributors, sold out to APS (however, Carquest quickly signed up Parts Wholesalers, Bangor, ME, a warehouse with 14 owned stores, to handle New England). In spite of its troubles, Carquest remains the most retail-oriented program.

General Parts, Raleigh, NC, the largest non-bankrupt Carquest warehouse, bought several small warehouses, now operates 100-plus stores, and is looking for more expansion in 1989. This is a warehouse to watch.

About the most successful programmed distributor warehouse in 1988 was British-owned Parts Industries, Memphis, TN, the largest Parts Plus Warehouse (sales about $600 million). Parts Industries acquired Mid-America in April with its Green Light program for $16 million. Parts Industries now owns more than 100 jobbers. It benefits from sales to Goodyear Tire stores (1,300 owned, 600 franchises) and a 1988 arrangement with Amoco oil to supply its Amoco Certicare service stations.

Finally, 1988 saw Jiffy Lube (sales of $78 million) open its 1,000th store, far out-distancing nearest rivals Quaker State Minit Lube (about 330 outlets) and Valvoline Instant Oil Change (about 180 outlets) in the quick lube market, and Japanese tire supplier Bridgestone buy the Firestone Tire & Rubber Co., Chicago (1,540 stores).

1988 was a busy year, 1989 could be busier. ■

SERVICE MARKET

NAPA Chief Outlines Future Service Market

Speaking to the Congress for Automotive Repair and Service Expo (CARS), held in Nashville, TN, last year, NAPA president Bob McKenna gave a succinct overview and forecast of the service market. Among other things, McKenna noted that total NAPA part numbers had grown by 30,000 in seven years to more than 125,000. Parts for imports now account for 20% of total part numbers. Here are some excerpts:

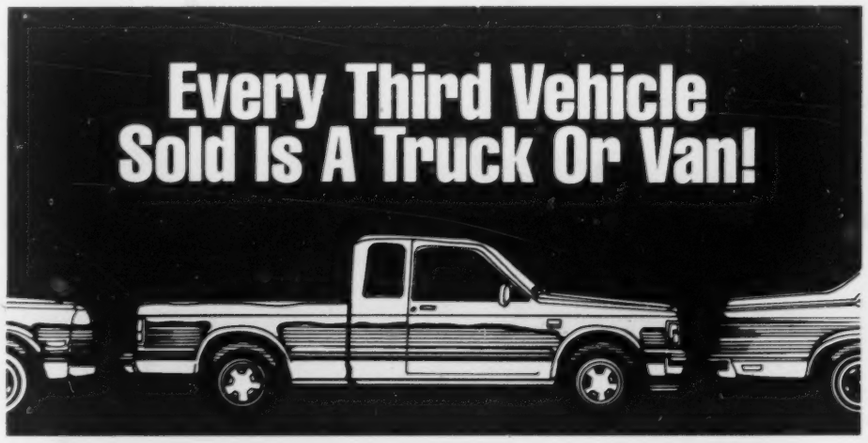
There are a number of ways to determine if resources are used efficiently in the $88 billion automotive aftermarket. For instance, from 1980 to 1986, the total number of service outlets of all kinds declined by 15,000:

- 1980: 265,500
- 1986: 250,500

Service stations and general repair shops operated 73% or 191,400 of the total outlets in 1986.

Number Of Service Bays

But during this six-year period, the distribution of service bays in these outlets changed. New car dealers and service stations decreased their total bays to 630,000. On the other hand, general and specialty repair businesses and auto parts stores increased their total number of bays to nearly 473,000, or 40% of all bays. *(Editor's note: which gives a grand total of 1,182,500 bays in the service market).*



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MARKET LINE

When you compare the market share held by each automotive service sector to the percentage of total bays and outlets, it reveals how effectively they are using their resources.

For example, new car dealers have 32% of the bays but only 20% of market share. General repair shops have 30% of the bays but only 13% of the market.

In contrast, service stations, specialty repair shops, tire stores, auto parts stores with bays, and discount/department stores leverage their physical facilities to get a greater share of the market.

How is this achieved?

By the use of more aggressive marketing; better promotions of their services, and greater consumer traffic due to location and appeal, which comes down to a perception of convenience and service.

Based on these findings, new car dealers and general repair shops have tremendous untapped potential if they become committed to consumers and convince them to have their cars serviced at their place of business.

COMPARING BAYS & MARKET SHARE

NAPA compared the market share held by each segment of the service market to the percentage of bays to determine how effectively the segment uses its resources. For example, auto parts stores own only 4% of total service bays yet account for a 7% market share of service business.

Segment	% Of Service Business	% Of Service Bays
Service Stations	32%	28%
New Car Dealers	20%	32%
General Repair Shops	13%	30%
Specialty Repair	11%	6%
Discount/ Department Stores	9%	2%
Tire Stores	8%	8%
Auto Chain Stores	7%	4%

Source: NAPA

Trends In Service

By 1990, a slight shift up in market share is forecast for general and specialty repair shops and new car dealers.

In the upcoming decade, some trends to note in service are:

- Decline of market share held by gas stations, although activity by major oil companies may reverse this decline.
- A leveling off of the downturn in new car dealers. With extended service contracts and the possibility of longer term warranties, new car dealers have an opportunity to gain ground.
- A growth in general and specialty repair shops. The franchise rage will continue, but will eventually slow. There can only be so many quick lube and tune-up shops.
- There is a revived interest by the tire companies, Sears, and Montgomery Wards to extend their service business—and they will be aggressive.

Since the repair industry is a huge but *low growth* market, it will be characterized by very tough competition. This is no business for the faint at heart. Those who succeed will be those who:

- Analyze the market and competitors. Be aware of and adapt to emerging trends.
- Develop and implement a marketing plan.
- Present a clean, well laid out facility. Consumers of the 1990s will not patronize a non-professional looking facility.
- Ensure training for employees and encourage ASE certification.
- Update service equipment.
- Sell and promote service. Capitalize on strengths.
- Develop a reliable parts partner.

The winners of the 1990s must think in terms of $1 million service facilities, up from the current $615,000 average. The increase requires more service equipment, better trained employees, and improved promotional support. ■

MARKET SHARE WINNERS & LOSERS

NAPA sees a slight gain for new car dealers and repair shops in the near future as their operators learn to leverage their service bays. Service stations will continue to decline as they lose business to specialty repair shops.

Segment	% Total Service Market 1990	% Total Service Market 1985	% Total Service Market 1978
Service Stations	28%	33%	40%
Repair Shops	24%	23%	18%
New Car Dealers	21%	20%	18%
Auto Stores/Discount Stores	17%	17%	15%
Tire Stores	10%	8%	9%

Source: NAPA

MARKET LINE

RESEARCH

Consumers Prefer Name Parts, Decide Own Service Needs

When it comes to taking care of their cars, one third of consumers prefer to replace an OE part with an aftermarket name brand part, about 60% decide on their service needs before seeing a mechanic, and most are more interested in service location convenience than extended warranty coverage, according to a survey completed by Tenneco Automotive, Lincolnshire, IL.

Preliminary results of the survey, based on interviews with more than 1,000 car owners of all ages all across the country, were announced in December by Win Hamilton, Tenneco Automotive vice president of marketing and planning.

What Car Owners Buy

When it comes to buying a replacement part, the Tenneco survey found that one out of three consumers preferred to replace the OE part that came on their vehicle with an aftermarket brand name part. Store brands rated second with a 28% to 30% preference level, and OE brands ranked third in preference with about one out of four consumers preferring those. Generic, or white box, parts are of interest to only one out of ten consumers, Hamilton reported.

Replacement part preferences do vary by what consumers drive and what type of part is needed, Hamilton said. Some 70% of domestic car owners consider a domestic replacement part to be very or extremely important to their car while only 43% of import owners felt an imported part was very or extremely important. The consumers interviewed did prefer OE parts for steering repairs but liked aftermarket brand names for brake, exhaust, and ride control repairs.

The car owners interviewed by Tenneco also had definite feelings about how long the durable replacement parts they buy should last, Hamilton said. The durable parts included in the survey were brakes, ride control, exhaust, starters, steering, and air conditioning.

Consumers expected brakes to last the least amount of time—three years, Hamilton said. Shocks, struts, and exhaust system parts (except catalytic converters) were expected to last four to five years. Starters, steering components, and cata-

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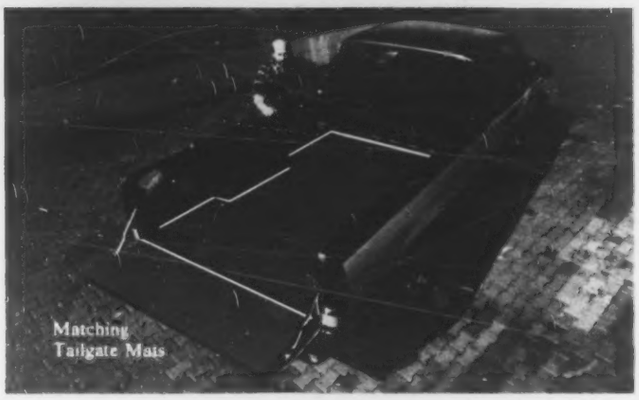

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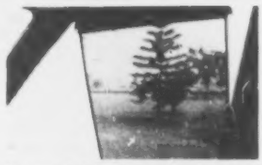

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MARKET LINE

lytic converters were expected to last five to seven years.

On average, 40% of the vehicle owners interviewed expect to replace some durable part on their vehicle at between 40,000 and 80,000 miles, Hamilton said. Owners of light trucks expect a part failure at slightly higher mileage levels while import owners expect a failure at a slightly lower mileage level.

When Consumers Get Service

According to Hamilton, most repair decisions are not made at the suggestion of a mechanic. In fact, the Tenneco survey found that more than 60% of those interviewed decided that a major repair was needed before they consulted a mechanic. However, in 37% of cases, the vehicle owner had a part replaced because a mechanic said it needed to be fixed.

Mechanics have even less influence when it comes to routine or minor maintenance and repair items. Fewer than 15% of the consumers surveyed reporting that minor items were repaired at the suggestion of a mechanic.

While vehicle owners are taking a greater interest in repair decisions, according to Hamilton, the items that seemed to be of greatest interest to them were brakes, oil changes, and tune-ups. Some 36% of those interviewed said they thought the most important maintenance item was an oil change, while 31% said it was brakes.

And, for the most part, consumers follow the "if it ain't broke, don't fix it" theory when it comes to vehicle repairs. It takes no air conditioning on a hot day, no heat on a cold day, or a noisy exhaust system to get consumers to think about any-

FIVE-YEAR FORECAST FOR HARD PARTS SALES

According to estimates from the Aftermarket Forecast Committee of the Automotive Market Research Council, the U.S. aftermarket will experience an average annual real growth rate of 1.6% between 1987 and 1992. Based on that data, the aftermarket for 51 selected products stood at $39.1 billion retail in 1987. By 1992, this figure should rise to $42.2 billion as measures in 1987 retail dollars.

Sales of drive train parts are predicted to grow the fastest between 1987 and 1992 at 4.5% average annual real growth. CV-joint sales are expected to lead the increase at 15.9% per year. In contrast, fuel system parts are forecasted to show declining sales in real terms during the next five years. Sales of these products will fall by just under 1% per year as measured in 1987 retail dollars. Declining carburetor sales are expected to be the main reason for the drop off. Here's a look at some pf the parts and part systems involved.

Hard Parts	1987 Sales (In Millions Of 1987 Retail $)	Forecasted 1992 Sales (In Millions Of 1987 Retail $)	Average Annual Real Growth Rate 1987-1992
Drive Train Parts (axles, CV-joints, clutches & parts, transmissions, U-joints)	$4,436	$5,518	4.5%
Cooling System Parts (oil pumps, radiators, thermostats, new & reman. water pumps)	$1,347	1,407	1.3%
Brake System Parts (hardware, drums/rotors, friction material, hydraulic parts)	$2,446	$2,761	2.5%
Chassis Parts (exhaust system, shocks/struts, steering, suspension)	$3,941	$4,328	1.9%
Electrical System Parts (conventional ignition, electronic ignition, starters, alternators, generators, switches, wire & cable)	$3,057	$3,263	1.3%
Engine Hard Parts (camshafts, cylinder sleeves, engine bearings, piston rings, pistons, rocker arms, tappets, timing chains, valve guides, valves)	$1,009	$1,040	0.6%
Fuel System Parts (new & reman. carburetors, emission control systems, fuel pumps)	$1,534	$1,475	-0.8%

Soucre: Automotive Market Research Council, Motor & Equipment Manufacturers Association

thing more than routine maintenance, according to Hamilton.

Warranties do appeal to certain consumers, according to Hamilton. For example, import owners are more likely to purchase extended warranties, as are younger adults, and women. Consumer income does not appear to be a factor in the decision to purchase an extended warranty, Hamilton said. However, many of the car owners surveyed were more interested in repair location convenience than they were taking their vehicles back to dealers for extended warranty coverage, according to the Tenneco survey.

The Tenneco research showed that only 32% of vehicles under three-years-old and 11% of vehicles four to eight-years-old are covered under warranty. In fact, the average vehicle is either too old or has too many miles to be covered under original equipment warranties, according to Hamilton. ■

[redacted]

Driving Costs Up

The average per mile cost of driving a passenger vehicle rose 0.1-cent, to 27.2-cents per mile, for the second quarter of 1988, according to the Automobile Association, Washington, DC.

The per mile cost combines operation and ownership costs. ■

RETAILING

Pep Boys' POS Leads Way To 21st Century

The Pep Boys, Manny, Moe and Jack, Philadelphia, report benefits by the score from its new electronic retailing system. The system positions Pep for greater growth into the next century.

Even though Pep is still installing the latest in technology in a new point-of-sale (POS) system that includes scanners to read bar codes, it already reports great savings in cashier training time, buying, on-floor labor time, stocking, pricing, and inventory control.

"It's definitely a time saver for the cashier," Paula Rodden, Pep Boys' director of store services, told attendees at the 1988 National Retail Merchants Association Retail Information System Conference, held in Washington, DC. "But it's also designed for the merchandising end."

The system produces a number of immediate benefits at all levels of the company's giant retail operation.

Keeping Store Control

The first benefit is at the store level. Pep Boys keeps its stores on a fairly tight leash. The system does not allow store-level personnel to change prices. It tracks store-to-store product transfers. "We can pinpoint which managers are closing their stores (rather than let other employees do the actual store closing), who needs training, who is not doing his job," Rodden said. Finally, she said, "Cash control in our stores has improved tremendously."

Pep Boys has found many benefits for its buyers, too. Previous day's sales figures are now on buyers' desks by 10 a.m. The system allows its users to pinpoint price overrides and order problems, as well as to compare sales trends. "Buyers can better analyze trends for buying and advertising," Rodden said.

In terms of specific, qualifiable benefits, Pep has found a 60% savings in labor because of price tag elimination. Cashier training has been cut 50%: the chain spends one hour "at the most" training new cashiers with the POS system, Rodden said. By using bar codes and scanners instead of price tags, the company now notes fewer than 2% pricing errors. And, Pep Boys now makes its 800 to 900 price changes weekly through the system with a great deal more accuracy and thoroughness than it could before the system was installed.

It Began In 1985

According to Rodden, Pep began studying POS in 1985, evaluating a pilot system in the first half of 1986. Pep Boys found that its particular needs were best met by using some software designed for

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